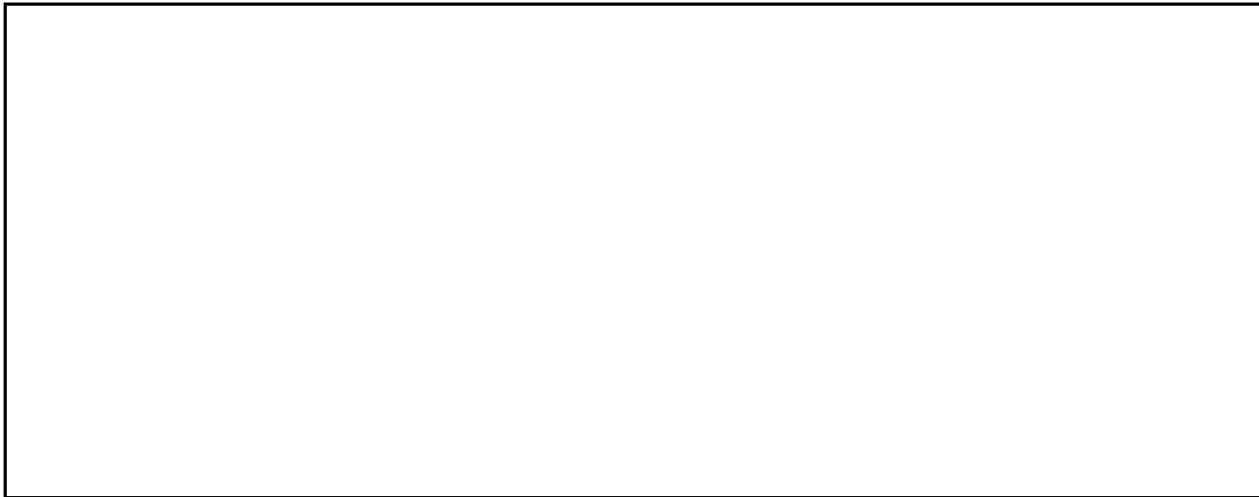


MINUTES
DD/S STAFF MEETING
1 August 1972



b. [] said that the concern about productivity has evidenced itself in the President's creation of a President's Commission on Productivity in June 1970. Recent efforts in the measurement of productivity in the government were stimulated by Senator Proxmire's letter to the Comptroller General in September 1970. Senator Proxmire was concerned over inefficiency in government programs, especially in Defense. Senator Proxmire urged the GAO to do a comprehensive evaluation of the possibilities for measuring productivity in the Federal sector of the economy.

c. Generated by Senator Proxmire's request, a GAO-OMB-CSC Joint Project Group was formed. They were to study not only the possibilities of measuring productivity, but demonstrate the actual feasibility and search out methods or actions to enhance Federal productivity.

d. The Project Group invited 17 agencies to participate. The Project was divided into three phases:

Phase I

Each participating agency submitted an inventory of its current use of quantitative measurement systems--showing the percent of employees reasonably covered by these systems. Four types of quantitative measurement systems were included:

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EXEMPT TO AUTOMATIC DECLASSIFICATION
OF E. O. 11652, AUTOMATICALLY DECLASSIFIED AT
TWO YEAR INTERVALS AND DECLASSIFIED ON

1 August 1972
(insert date or event)

-2-

(1) Overall Productivity Indexes--These are measures of the final physical outputs of an entire organization (or component) divided by the physical inputs, in order to produce a productivity index which can be consistently computed from year to year in real terms, i.e., in constant dollars.

(2) Work Measures--These are measures of the physical work units produced by an individual work center which can be compared to an objectively derived standard of performance to assess performance efficiency on a current basis (such as daily, weekly, monthly).

(3) Unit Cost Measures--These are obtained by relating physical work units produced to corresponding dollar costs.

(4) Manpower Planning Measures--These are systems of forecasting manpower requirements based on statistical data in respect to workload, activity rates, peakload requirements, safety standards, etc.

The key findings from the Phase I activity were that the 17 participating agencies employed 2,563,805 civilian federal employees. Of these 2 1/2 million plus employees:

(1) 50% were covered by some form of manpower planning measures.

(2) 44% were covered by some form of work measurement system.

(3) 39% were covered by unit cost measurement systems.

(4) 20% were covered by an overall productivity index.

The more sophisticated quantitative measurement system(s) covered the lower percentage of employees.

Phase II

The Joint Project Group's objectives for Phase II of their study were:

(1) Develop overall productivity indexes. A team made up of GAO and BLS representatives gathered data, and based on methods used in the private sector, they computed overall productivity indexes.

-3-

(2) Study ways to improve use of existing measurement systems--test their validity and utility. A team headed by CSC representatives undertook this study.

(3) Improve the use of unit cost measurement systems and improve cost accounting systems. This team was headed by GAO.

(4) Document and encourage practices in applying effectiveness measurement techniques to activities where outputs can't be readily quantified. This team was headed by OMB representatives.

The findings of Phase II of the study showed that agencies made little use of overall productivity measures. Why not?

(1) Overall productivity measures appear technical and mysterious to managers.

(2) Managers feel productivity measures are misused (i.e., their budgets and personnel levels get cut).

(3) There is a general lack of management's understanding of the uses of overall productivity indexes.

(4) Overall productivity indexes are not suitable for day to day decision making--rather they point out longer range trends in an organization.

The Joint Project Group highlighted some of the uses of overall productivity measures:

(1) Managers can review trends from year to year on a consistent basis.

(2) The indexes can reveal the results of past management actions to improve the organization's productivity (e.g., capital equipment investments, organizational changes, employee training).

(3) Indexes can reveal emerging trends so that management can act to forestall problems.

(4) Indexes can be used in the budgetary process in projecting better the organization's resource needs.

-4-

(5) Overall productivity indexes can provide to the top federal managers, the Congress, economists, and the public knowledge about federal government productivity trends. NOTE: Macroeconomists now assume zero productivity for government workers (federal, state and local).

In developing overall productivity indexes, FY 1967 was chosen as the Base Year. For commonality, the outputs of the 17 participating agencies were separated into three groups:

- (1) Public Services (e.g., hospitals, schools, post offices, etc.)
- (2) Support Services (e.g., legal, financial, procurement, supply, maintenance)
- (3) Industrial (e.g., shipyards, aircraft maintenance, map making, printing of currency)

With FY 1967 as the Base Year, and gathering data through FY 1971, the Joint Project Group's findings showed an increase in Federal government productivity (for those manyears measured or about 55% of the 2,563,805 civilian employees in the 17 participating agencies) of 7.7 percent - FY 1971 over FY 1967. While labor cost trends were up in FY 1971 over FY 1967, based on constant dollars the labor dollar cost trend was down. The findings further conclude that had there not been a 7.7 percent productivity increase for those employees measured, the same effort would have required 119,000 more manyears and \$1.3 billion in current (real) dollars. Wage board employees were found to be the most productive of the types of federal employees measured. Within the three general groups productivity increases by the end of FY 1971 over FY 1967 (base index = 100.0) were:

- | | |
|----------------------|---------|
| (1) Public Services | - 105.1 |
| (2) Support Services | - 113.6 |
| (3) Industrial | - 123.3 |

Phase III

Phase III of the Joint Project plan will apply to all agencies in FY 1973. Phase III will center on improving productivity on a permanent basis. The permanent program will be managed by OMB and CSC.

e. Measuring federal productivity was only part of the Joint Study. Other tasks included finding ways to improve or enhance productivity from a management standpoint like:

-5-

(1) Enhancing productivity through use of better measurement systems.

(2) Improving cost-accounting systems to better measure unit costs.

(3) For those efforts where outputs are difficult to quantify in terms of productivity measurements, effectiveness measurement provides a means of determining whether an Agency is proceeding toward its objectives and establishing a relationship between management action and mission accomplishment.

f. OMB is not advocating any particular measurement system. Whatever system an Agency chooses must fit the Agency's needs. But what OMB is looking for in all agencies' systems is the quantification of objectives (state objectives in measurable terms) and some provision for holding managers accountable for results (achieve the objectives).

g. The final recommendations of the GAO-OMB-CSC Joint Project on federal government productivity measures are contained in the attachment.

3. DCI Comments about Assignment of Employees to Other Agencies --
Mr. Coffey

Mr. Coffey noted that the Director had some specific comments on the responsiveness of the Agency to other Departments or Staffs for detail of Agency employees for longer or shorter periods of time. The "trigger" for the Director's comments involved a team sent to Southeast Asia to review the drug problem. How did CIA happen to have a participant on the team? The Director's message is that he does not want to have Agency components feel that they have to jump everytime someone asks for a CIA representative. The Agency's senior level should be made aware of such requests and should take part in any decision about detailing an Agency employee to some other government organization. If the Office Heads do get a request to detail one of their employees outside the Agency, please advise either Mr. Coffey or Mr. Wattles.

4. EEO Comments -- Mr. Coffey

a. Mr. Coffey noted that the Office Heads had received a copy of a paper prepared by [] and sent to Mr. Colby by Mr. Fisher. The Director has approved one suggested course of action, that is, bring good Black prospects to the Agency for interviews. Mr. Coffey said that the paper contained a lot of factual information and philosophy.

-6-

25X1A b. Mr. Coffey said that, "we have sent out our first report of goals on EEO to [redacted]" We will be expected to accomplish a periodic review of our progress toward achieving the EEO goals the Directorate has proposed. Over time our goals should be reviewed to see if they should be modified. The Office Heads must participate in seeing that our goals are achieved in the EEO field.

*Blue
list of goals
get changed?*

5. Country Seminars -- Mr. Coffey

Mr. Coffey said that, "(I am) sharing with you Mr. Colby's paper." (handout) OTR has done some things re country seminars (e.g., Latin America seminars). It seems that some of OTR's effort is not reflected in the paper. Shouldn't OTR become the focal point for a country seminar program?

25X1A 6. Mr. Coffey announced that [redacted] had just joined the O/DDS Staff. He will be working with [redacted]

7. Around the Table.

Mr. Cunningham noted that the Training Selection Board would be meeting Wednesday and Thursday to select people to attend TSB sponsored external training programs. There have been an unusually high number of inquiries about the Information Science Training Program. There are 8 Agency and 4 NSA nominees for the 11 September 1972 ISTP course. The Domestic Contact Service has asked

[redacted]

25X1

Att

cc: Each attendee

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RECOMMENDATIONS - GAO/OMB/CSC PROJECT ON
FEDERAL GOVERNMENT PRODUCTIVITY MEASURES

1. All agencies with 200+ employees should participate in the program to measure and evaluate productivity: Fiscal, 1972 data to be submitted by Oct. 1, 1972.
2. Continue the GAO/OMB/CSC project one more year to improve initial indices.
3. The project should work with the National Commission on Productivity to develop state and local government productivity measures.
4. OMB should assist agencies in applying guidelines for evaluating work measurement systems.
5. OMB should establish a pilot project to afford selected agencies maximum flexibility to manage on the basis of unit costs and other valid measurement data.

GAO/OMB/CSC Productivity Project --
RECOMMENDATIONS (continued)

6. OMB should assist agencies in the design, installation, and operation of a variety of effectiveness measures.
7. OMB should appoint a senior official with responsibility for developing ways of improving productivity.
8. OMB should consider requesting legislation for the creation of a "PRODUCTIVITY BANK" that would loan funds for fast payback projects.
9. Studies should be conducted to determine ways to:
 - a. Reward managers for increasing productivity.
 - b. Grant regional officials more authority over personnel and funds, and
 - c. Encourage non-supervisory personnel to actively support programs designed to increase productivity.